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PAGE 01 STATE 247824

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

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APPROVED BY EB/ORF:SWBOSWORTH

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COMMERCE:BLEY (INFO)

OES/SCI/AE:MPROCHNIK

ERDA:JVANDERYN

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TO AMEMBASSY LONDON IMMEDIATE

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E.O. 11652: N/A

TAGS: ENRG

SUBJECT: IEA; CIEC STRATEGY; BURROWS GROUP PAPER ON
POSSIBLE ENERGY COMMISSION PACKAGE

1. THE REVISED BURROWS GROUP DRAFT PAPER ON POSSIBLE
LANGUAGE FOR A CIEC ENERGY COMMISSION FINAL PACKAGE
CONTAINS THE TONE, GENERAL CONTENT, AND THRUST WE BELIEVE
APPROPRIATE. IT PROVIDES THE BASIS FOR DEVELOPING SPECIFIC
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PAGE 02 STATE 247824

G-8 PROPOSALS FOR TABLING IN THE ENERGY COMMISSION. WE

WOULD HOPE THAT THERE WILL NOT BE ANY FURTHER PROTRACTED DISCUSSION ON THIS PAPER IN OCT. 7 MEETING OF BURROWS GROUP. OUR COMMENTS ON THE PAPER FOLLOW IN PAA 3.

2. THE US AGREES FULLY THAT THIS PAPER SHOULD BE FINALIZED AT THE OCT. 7 BURROWS GROUP MEETING, AND THAT IT WOULD BE USEFUL AND PRODUCTIVE, IN TERMS OF PREPARING FOR THE OCTOBER CIEC SESSIONS, TO FURTHER DISCUSS THE IEI PROPOSAL AND R&D COOPERATION. AT THE OCT. 7 BURROWS GROUP MEETING THE US WILL DISTRIBUTE COPIES OF A NEW PAPER ON IEI, ADDRESSING INTER ALIA THE QUESTIONS RAISED IN THE SEPTEMBER COMMISSION MEETING. WE WILL ALSO DISTRIBUTE DRAFT LANGUAGE FOR A POSSIBLE PROPOSAL TO TABLE IN THE OCTOBER SESSION OF THE COMMISSION ON ENERGY R&D COOPERATION WITH PRODUCERS. THAT LANGUAGE FOLLOWS ON PARA 4.

3. COMMENTS ON BURROWS GROUP PAPER.

A. STRUCTURE. WE CONTINUE TO BELIEVE THAT TO OBTAIN G-8 AND G-19 AGREEMENT, THE FINAL CIEC (ENERGY PACKAGE) COMMISSION LANGUAGE ON ENERGY WILL HAVE TO BE STRUCTURED ALONG THE LINES OF THE COMMISSION WORK PROGRAM, WITH THREE SECTIONS, EACH COVERING ONE OF THE WORK PROGRAM AREAS. THE SECOND PART (PRINCIPLES) OF THE PRESENT VERSION OF THE BURROWS GROUP PAPER REFLECTS THIS STRUCTURE, BUT THE FIRST PART (INTRODUCTION/ CHAPEAU) AND THE THIRD PART (RECOMMENDATIONS) DO NOT. WITHOUT MODIFYING THE SUBSTANCE, IT MAY BE NECESSARY WHEN DRAFTING PROPOSED LANGUAGE TO REARRANGE THE PARAGRAPHS AND SUBPARAGRAPHS OF THE INTRODUCTORY SECTION, AND THE RECOMMENDATIONS SECTION SO THAT THEY WILL BE CONSISTENT WITH THE COMMISSION WORK PROGRAM.

B. SPECIFICITY.

(1) WE REMAIN CONCERNED WITH THE PAPER'S TENDENCY TO BE TOO SPECIFIC WITH REGARD TO LEVEL AND LENGTH OF TIME LEFT FOR ENERGY RESERVES. WE STRONGLY BELIEVE THAT THE THIRD SENTENCE OF THE SECOND SUB-PARAGRAPH (BEGINNING, "THESE FUELS IN") OF THE INTRODUCTION SHOULD BE DELETED. IN A LIMITED OFFICIAL USE

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PAGE 03 STATE 247824

NEGOTIATING CONTEXT SUCH SPECIFICS GIVE TOO MUCH AWAY. WE ALSO BELIEVE THAT LAST SENTENCE OF FOURTH SUB PARAGRAPH SHOULD END AFTER "LAG".

(2) ON THE OTHER HAND, THERE IS A LACK OF DETAIL IN PRINCIPLES, PART A, PARA 2, SECOND AND FOURTH SUB-PARAGRAPH SHOULD INCLUDE, "IN AN ECONOMICALLY EFFICIENT MANNER" FOLLOWING WORK "CONCENTRATION" IN FOURTH LINE.

SECOND SENTENCE OF FOURTH SUBPARAGRAPH SHOULD BEGIN,
"AN INABILITY TO OBTAIN ADEQUATE" REPLACING "THE LACK OF."

(3) THE PRICE SECTION (PARA B OF PRINCIPLES) IS FAR
TOO SPECIFIC ABOUT ELEMENTS IN OIL PRICE DECISIONS.
PARA 3 (CHAPEAU) SHOULD BE WORDED: "TAKING INTO
ACCOUNT THE KEY ROLE OF THE PRICE OF ENERGY FOR THE
WORLD ECONOMY, ENERGY PRICES SHOULD BE
RESPONSIVE TO:"

(4) THE FIFTH SUBPARAGRAPH UNDER PARA 3 (PRICE) SHOULD
BE CHANGED TO READ, "THE IMPORTANCE OF EXPORT
EARNINGS TO THE DEVELOPMENT PROCESS OF OIL EXPORTING
COUNTRIES." WE EXPECT THAT THE ISSUE OF PURCHASING
POWER WILL BE ONE OF THE MOST CONTENTIOUS OF
THE PACKAGE. IN A NEGOTIATING CONTEXT, WE BELIEVE
THE ABOVE LANGUAGE IS THE MAXIMUM G-8 POSITION
ON THAT QUESTION.

(5) FOLLOWING SHOULD BE INCLUDED IN PARA 5 (COOPERATION)
AS SECOND SENTENCE, "THESE COUNTRIES MUST DEVELOP
ALTERNATIVE ENERGY SOURCES, INCLUDING RENEWABLE
SOURCES, TO ENSURE THAT ENERGY NEEDS WILL BE MET AS
THEIR FOSSIL FUEL RESERVES DECLINE."

(6) ALSO WE BELIEVE THAT PARA SEVEN (RECOMMENDATIONS)
RIGHTLY INCLUDES ALL THE ELEMENTS OF A POSSIBLE
POST-CIEC ON-GOING DISCUSSION ON ENERGY. HOWEVER,
WE WISH TO STRONGLY POINT OUT THAT IN THEIR
PRESENTATIONS ON AN ON-GOING DISCUSSION, G-8 COUNTRIES
MUST TAKE SPECIAL CARE NOT TO HIGHLIGHT OR
EMPHASIZE CONSULTATION ON ENERGY PRICES. THIS WILL
BE REGARDED BY OPEC MEMBERS AS CONFRONTATIONAL AND
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PAGE 04 STATE 247824

COULD PREJUDICE THE ABILITY TO OBTAIN AN ON-GOING
DIALOGUE. WE CONTINUE TO BELIEVE THAT A RECOMMENDATION
FOR AN ON-GOING ENERGY DIALOGUE FROM THE ENERGY
COMMISSION WILL BE COUCHED IN TERMS OF CONTRIBUTING TO
INCREASED KNOWLEDGE OF THE ENERGY SITUATION, THUS
REDUCING UNCERTAINTY. PRICES WOULD BE, OF COURSE,
ONE OF THE SUBJECTS DISCUSSED IN ANY ON-GOING DIALOGUE.

C. EMPHASIS. THERE ARE CERTAIN CHANGES IN PARAGRAPH
ORDER THAT WILL PLACE EMPHASIS ON CERTAIN POINTS
WE CONSIDER IMPORTANT.

(1) THE SIXTH SUBPARAGRAPH OF PARAGRAPH 1 SHOULD BE
MOVED UP TO BE THE THIRD SUBPARAGRAPH OF THAT
PARAGRAPH. THIS WILL EMPHASIZE THE NEED FOR A SMOOTH

TRANSITION PERIOD AS THE CONCLUSION FROM WHICH FLOW
THE SUBSEQUENT CONCLUSIONS, THE PRINCIPLES OF THE
SECOND PART, AND THE RECOMMENDATIONS.

(2) THE SEVENTH SUBPARAGRAPH OF PARA 1 SHOULD BE MOVED
TO PARA 2 AND THE THIRD SUBPARAGRAPH OF PARA 2 SHOULD RE-
PLACE IT.

4. FOLLOWING IS LANGUAGE ON ENERGY R&D COOPERATION WHICH
US BELIEVES COULD BE USED IN FINAL COMMUNIQUE. " THE
COMMON, ECONOMICALLY EFFICIENT USE OF RENEWABLE ENERGY
SOURCES IS THE ULTIMATE END OF THE ENERGY TRANSITION
PERIOD THAT HAS NOW BEGUN. TO REACH THIS GOAL, VIA A
SMOOTH ORDERLY TRANSITION, COUNTRIES MUST INCREASE THE USE
OF ENERGY RESOURCES OTHER THAN OIL AND GAS AND INTENSIFY
EFFORTS TO DEVELOP ALTERNATIVE ENERGY RESOURCES, IN-
CLUDING RENEWABLE ENERGY RESOURCES. THIS WILL REQUIRE
INTENSIFIED EFFORTS AT RESEARCH AND DEVELOPMENT IN THE
INDUSTRIAL COUNTRIES, IN WHICH RESIDE THE MAJOR RESEARCH
AND DEVELOPMENT FACILITIES, THE TECHNICAL
BASE FOR SUCH R&D, AND THE NECESSARY EXPERTISE. SINCE
ALL DEVELOPING COUNTRIES, INCLUDING THE OIL EXPORTING
COUNTRIES WILL INCREASINGLY NEED TO MEET THEIR FUTURE
ENERGY NEEDS THROUGH SOURCES ALTERNATIVE TO FOSSIL FUELS,
THEIR INTERESTS CAN BE SERVED INTER ALIA THROUGH PARTICI-
PATION WITH THE INDUSTRIAL COUNTRIES IN THE DEVELOPMENT
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PAGE 05 STATE 247824

OF ALTERNATIVE SOURCES, ESPECIALLY RENEWABLE SOURCES. THE
INDUSTRIAL COUNTRIES WELCOME THE PARTICIPATION OF OIL
EXPORTING COUNTRIES, AND OTHER DEVELOPING COUNTRIES FOR
WHICH SUCH PARTICIPATION IS APPROPRIATE, ON MULTILATERAL
OR A BILATERAL BASIS IN ENERGY R&D PROJECTS THAT WOULD BE
APPROPRIATE TO SUCH COUNTRIES, AND IN OTHER RELEVANT
ENERGY AND RELATED PROJECTS IN WHICH DEVELOPMENT OF ALTER-
NATIVE SOURCES, OR OF TECHNOLOGIES PERMITTING MORE
EFFICIENT UTILIZATION OF CONVENTIONAL RESOURCES, WILL BE
UNDERTAKEN. THE CONFERENCE RECOMMENDS THAT COUNTRIES,
AND MULTILATERAL ENERGY ORGANIZATIONS, TAKE ACTION TO
BEGIN COOPERATION IN THE FIELDS OF ENERGY R&D AND DEVELOP-
MENT OF ALTERNATIVE SOURCES.

5. NOTE: PLEASE INSERT FOLLOWING BETWEEN SUBPARAS 4 AND
5 OF PART B (SPECIFICITY) OF PARA 3 ABOVE.

THE 9TH SUBPARAGRAPH OF PARA 1 SHOULD BE CHANGED TO
READ, "THEREFORE ALL COUNTRIES SHARE AN INTEREST IN
REASONABLE ENERGY PRICES AS WELL AS A FULL FLOW OF
INFORMATION ABOUT SUPPLY (INCLUDING RESERVES) AND
LIKELY MOVEMENT IN DEMAND." THIS SUGGESTED CHANGE

REFLECTS, OUR VIEW THAT SPECIFICALLY WITH REGARD TO THE
NEED FOR PREDICTABILITY AND STABILITY OF THE OIL
PRICE CAN IMPLY A NEED TO INDEX THAT PRICE.

6. EMBASSY LONDON, PLEASE PASS ABOVE TO REGINALD BURROWS,
FOREIGN OFFICE, AS MESSAGE FROM DEPUTY ASSISTANT SECRETARY
BOSWORTH ON OPENING OF BUSINESS WEDNESDAY OCTOBER 6.

7. USOECD PARIS, PLEASE PASS PARAS 1-5 TO DR. STARBREIT
IEA SECRETARIAT ASAP.

8. US IEI PAPER WILL EITHER BE CABLED OU- FOR DISTRIBU-
TION AT MEETING OR CARRIED TO PARIS BY US REP.

9. FOR LONDON: PLEASE TELL BURROWS THAT WE REGARD
PARA 4 LANGUAGE ON R&D COOPERATION AS FIRST STEP AND
HOPE THAT PRIOR TO NOVEMBER ENERGY COMMISSION MEETINGS
MORE SPECIFIC LANGUAGE REGARDING IEA R&D
EFFORTS AND POSSIBILITIES OF PRODUCER/LDC COOPERATION
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THEREWITH CAN BE ADDED. THIS IS FOR BURROWS INFO ONLY
AT THIS TIME. ROBINSON

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